



NEW APPLICATION

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January 5, 2003

AZ CORP COMMISSION
DOCUMENT CONTROL

Maureen Scott
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

T-02532A-03-0039

RE: GRANITE MOUNTAIN EXCHANGE EXTENDED AREA SERVICE

Ms. Scott:

I am writing in regard to the new exchange Midvale Telephone is building outside of Scottsdale, known as Granite Mountain. Many of the residents are concerned about the fact that the Commission has defined the area as outside the Phoenix metro calling area even though it is surrounded on three sides by Qwest's Scottsdale area, and on the fourth side by National Forest. In our meeting held at the Commission on December 17, 2002, attended by yourself, Darren Carlson, Richard Boyles, and MTE staff, the consensus appeared to be in favor of granting extended area service for these few residents and doing so as expeditiously as possible. The primary issues identified include establishing that a community of interest exists, identifying the costs of EAS service, and issues pertaining to the office code assignment.

Community of Interest: The Granite Mountain exchange area is one mile wide and five miles long and has no community services within its boundaries. The residents are entirely dependent on Scottsdale schools, hospitals, doctors, and other services. Residents have submitted several letters and a petition to the Corporation Commission signed by approximately 50 residents in support of EAS to the Phoenix Metro area. Some residents who hope to operate businesses from their homes in the area have expressed concern that they will be disadvantaged if their number is a long distance call from Scottsdale, creating an unfair business advantage for similar businesses located West of 136th Street or East of 144th Street.

Cost of Extended Area Service: At this point, no data are available to identify the actual costs incurred for providing this service because such estimates are traditionally based on toll data studies, and since service has not yet been turned on, such studies are impossible. The costs will include expenses associated with additional T-1 trunks specifically to carry EAS traffic and lost revenues associated with access charges. Further, it should be noted that some residents have threatened to forego service altogether if they cannot get toll-free calling to Scottsdale and Phoenix.

Arizona Corporation Commission

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Office Code and Portability: Midvale has already been assigned an office code by NANPA in the 928 area code and getting a new number assigned would likely take 90 days. Keeping the 928 number (compared to 480, 602 or 623) creates some disadvantage for area residents, however there is one other 928 code already included. The question of number portability was raised in our December 17th meeting, however it was pointed out that as a Rural Carrier, Midvale would qualify for an exception to the requirement to port numbers in the metro area.

It has been Midvale's position that the question of EAS service is a matter for the Commission to decide. Traditionally, EAS should be revenue neutral for the telephone companies involved and it is up to the Commission and the customers to arrive at a decision. In this case, however, the Arizona Corporation Commission Staff has maintained that Midvale needs to take some action in this matter; doing so is against the advise of our counsel and is contrary to standard regulatory practice. Thus Midvale will not file an application for EAS service, but would like to make the following points should the staff elect to pursue the matter.

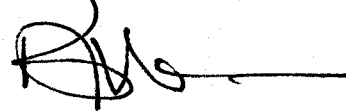
Open Docket: Midvale reminds the Commission that it elected to leave open the docket from the case that granted Midvale the CC&N to serve Granite Mountain. That docket provides a rate case as required by the staff for making a decision on extended area service.

Revenue to off-set Costs: It is Midvale's position that the costs associated with providing EAS service to Granite Mountain could most reasonably be provided through the Arizona Universal Service Fund (AUSF). The residents of this (and other areas) should have been provided service long ago (some have been without phone service for over 20 years), and now that they have service coming, they should not be further penalized by defining calls to their neighbors across the street as subject to toll charges. It is also Midvale's position that the costs to provide this service should not be assumed by the telephone company providing the service. The condition of the telephone and communications industry is well known, and Midvale is the only company who has volunteered to provide service to Arizona's unserved areas. Increasing the economic risk to Midvale hardly makes sense. Given all these factors, it is still Midvale's position that it is in the best interest of our Granite Mountain customers for EAS to be approved, and to facilitate that decision, Midvale is amenable to bearing the costs until such time that the Commission can determine the best way to fund the service.

Exceptional Cases: New exchanges are not built as a matter of course. The Granite Mountain, Silverbell and Millsite Exchanges are all previously unserved areas, and hence the conditions and procedures for handling these are likely to be unique. Midvale shares with the Commission the goal of providing service to customers who currently have no phone service available to them, and wishes to remind the Commission that standard practices and procedures might not always facilitate that goal.

Midvale is has a long history of bringing advanced telephone and data services to some of the most remote areas in the country and is pleased to be able to help the Corporation Commission meet their goal of eliminating unserved areas in Arizona. We are confident the staff will find a viable solution for the Granite Mountain exchange, and can assure you that Midvale will provide every cooperation necessary.

Respectfully,

A handwritten signature in black ink, appearing to be 'KJ Williams', followed by a horizontal line.

Karen J. Williams, Ph.D.

LEGEND

Phoenix
Metro BRA

PHOENIX METRO
EXCHANGE AREA

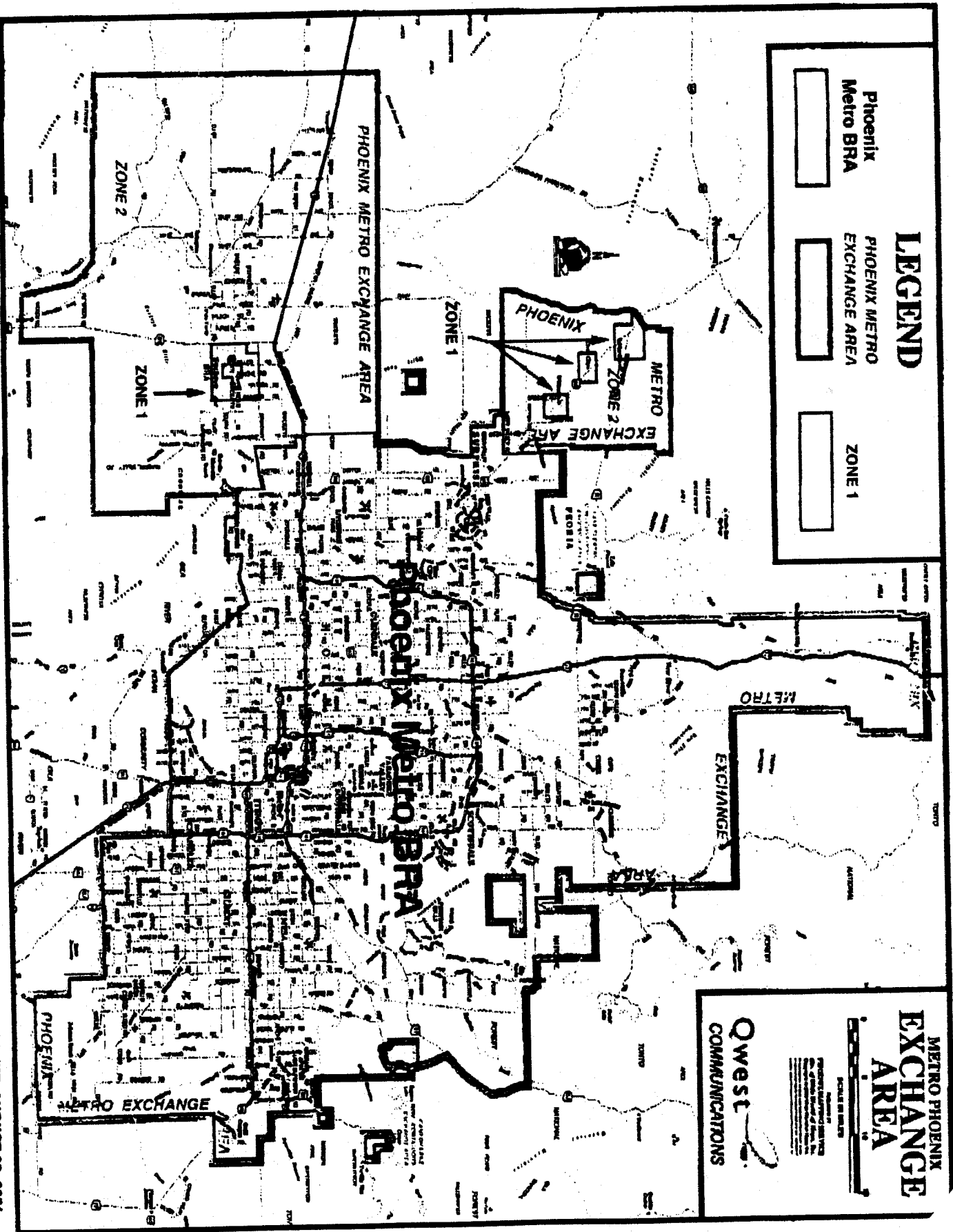
ZONE 1



METRO PHOENIX
EXCHANGE
AREA



Qwest
COMMUNICATIONS



ISSUED: JULY 30, 2001
Updated: November 30, 2001

EFFECTIVE: AUGUST 29, 2001